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MICHIGAN CANAL. II

III

ORGANIZATION AND MANAGEMENT

The administrative organization for the management of the affairs of the canal has always been simple and in keeping with the organization and methods employed in the management of other state enterprises in Illinois. With a single brief exception, the direct management has been in the hands of a commission or board.<sup>1</sup> That exception was during the suspension of work on the canal between 1843 and the beginning of the trust in June, 1845. The management was then in the hands of one of the commissioners, known as the acting commissioner, assisted by the secretary, an engineer, and an agent for the protection of the canal lands and other property.<sup>2</sup> Previous to this arrangement the board of commissioners had usually consisted of three

<sup>1</sup> This statement ignores the period from the abolition of the board of commissioners by the act of March 1, 1833, till the creation of a new commission by the act of February 10, 1835, during which time there was no administrative machinery for the management of canal affairs. During this period the project was temporarily abandoned.

<sup>2</sup> The act of March 2, 1843, provided for the discharge of all officers and employees except these three. These were authorized to settle with the contractors, in so far as they could obtain the necessary funds, and to protect the canal property. *Vide Laws of Illinois, 1843*, p. 62.

men,<sup>3</sup> chosen biennially, a part of the time by the governor with the ratification of the Senate and a part of the time by the joint action of the two houses of the General Assembly.<sup>4</sup> During the continuance of the trust, the board of trustees consisted of two members elected biennially by the canal creditors and a third appointed by the governor.<sup>5</sup> Since the termination of the trust, in 1871, the three commissioners have been appointed by the governor with the ratification of the Senate. The result has been that the appointments have usually been determined by party service or political expediency rather than by any special qualifications for the management of the canal. In politics and in law the commissioners are regarded as part of the state administration.<sup>6</sup>

From time to time special appointments have been made for special services, independent of the board of commissioners.<sup>7</sup> The most important of these special services was that of the sale of canal bonds during the period of construction. These sales were always conducted by the governor or by special agents appointed by him. The boards of appraisers, which determined the minimum selling price of each lot or tract of land, were appointed by the judge of the circuit court within whose jurisdiction the lot or tract lay. In addition to these, it was a common occurrence for the General Assembly to appoint special commissions to investigate claims against the state, growing out of

<sup>3</sup> By the act of February 14, 1823, the number was established at five. The act of January 22, 1829, reduced it to three. The act of February 10, 1835, again provided for a board of five; but that of March 2, 1837, once more fixed the number at three, and it has thus remained.

<sup>4</sup> The first members of the first board in 1823 were named in the act by which it was created. The act of March 2, 1837, placed the election of the commissioners in the hands of the General Assembly.

<sup>5</sup> The trustees who received the deed of trust were Captain William H. Swift of Washington and David Leavitt of New York, elected by the creditors at New York, May 27, 1845; and Jacob Fry, appointed by the governor of Illinois, June 10, 1845.

<sup>6</sup> The legal status of the commissioners is determined by chap. 19, sec. 3, of the Revised Statutes of Illinois.

<sup>7</sup> Laws of Illinois, 1847, p. 23.

the construction or management of the canal, and for other specific services.<sup>8</sup>

The subordinate officials and employees of the canal have usually been appointed by the board or subject to its approval.<sup>9</sup> During the development of the project the offices of secretary and treasurer were filled by members of the board; and since 1873 the same policy has been pursued. But from 1837 to 1873 these officials were appointed by the board from outside its membership. Recently, the employees of the board have been the general superintendent, the chief clerk and paymaster, the land agent, the attorney, and a force of about twenty-five clerks, collectors of tolls, lock tenders, and repair men.<sup>10</sup>

The functions of the board have varied with the changing phases of the canal history. In the main, however, they have been rather narrowly restricted by legislative action. The General Assembly has not only assumed control of the general policy of the management, but formerly it also frequently, by legislative enactment, directed the action of the board in specific cases. But in strictly administrative matters the board has usually been permitted to exercise discretionary powers. This has been particularly true in recent years. Within the restrictions imposed by the General Assembly, the board has managed the contracts for construction and repairs; the canal finances other than the bond sales; the sales and leases of canal lands and water power. It has fixed the rate of tolls and the condition under which the canal may be used, and has had general charge of the canal interests.

In the contracts for construction due provision was made for the protection of the interests of the state. The contracts were let to the lowest responsible bidder only after the conditions

<sup>8</sup> As an example of such appointments may be mentioned the two agents appointed by joint vote of the General Assembly to protect the canal lands from trespass and to grant permits for residence on canal lands. *Vide Laws of Illinois, 1837, pp. 44-48, and ibid., 1852, p. 152.*

<sup>9</sup> Public Laws of Illinois, 1871-72, p. 213; Laws of Illinois, 1891, p. 71; *ibid.*, 1899, p. 82, and others.

<sup>10</sup> A list of the employees, together with the compensation of each, is given in the appendix to each annual report of the canal commissioners.

under which they were to be performed had been widely advertised both in Illinois and in the eastern states, in order to secure the widest possible competition among contractors.<sup>11</sup> In the earlier of these contracts the contractors were required to give bond for the specific performance of their agreements. Later, the bond was not required, but 15 per cent. of the amount due the contractors for work done was withheld till the completion of the work in accordance with the specifications in the contract.<sup>12</sup> Although several of the contractors lost heavily and some of them were compelled to relinquish their contracts, the amounts forfeited by such relinquishments usually reimbursed the state for the extra expense entailed by the necessity of making a new contract, frequently at a higher figure.

The financial management of the canal has generally been honest and reasonably efficient; but it has not always been above criticism from the standpoint of policy adopted or methods used. During the period of construction, the ever-present financial problem led to the trial of unsound financial expedients, some of which have been discussed in the preceding article. The responsibility for these expedients rests partly with the board and partly with the General Assembly. The issuance of canal scrip is a case in point. As is usual in such cases, the scrip was over-issued and consequently suffered a heavy depreciation, casting an undue burden upon the men least able to bear it, namely, the laborers.<sup>13</sup> The General Assembly which authorized such a course was not blameless, but the administration of the act lay with the commissioners. The act was rather permissive than mandatory and the amount of the issue was entirely within their control. It may be urged, however, in extenuation of the policy, that no other means was available at the time for continuing the work on the canal; and that a suspension of operations

<sup>11</sup> Laws of Illinois, 1835, p. 226; and *Report of the canal trustees*, 1846, p. 3.

<sup>12</sup> *Report of canal commissioners*, 1836, p. 11.

<sup>13</sup> The contractors were paid in scrip, but they were able to pass it on to the laborers in payment of wages. The laborers either used it in making purchases of necessities of life, the price of which was raised to cover the depreciation of the scrip, or sold it to speculators for cash at a discount. In either case, the laborer bore the chief part of the burden of depreciation.

would have been much more disastrous to the contractors, and certainly to all the laborers who could not readily find work elsewhere, than the depreciation of the scrip proved to be. Be that as it may, the inevitable result of the policy adopted was the practical reduction of the wages of the laborers and the development of a class of land speculators at the expense of the laboring men, who were forced by the necessities of life to cash their scrip for whatever it would bring. Men with ready money were enabled to purchase scrip at a heavy discount and use it in payment for canal lots or lands at face value.

If the board was led to dangerous lengths in the issue of canal scrip, it showed greater conservatism than its legislative master in meeting the problem of "wild-cat" money. During the suspension of specie payments following the panic of 1837, and again during the Civil War, the canal revenues suffered much from the receipt of "uncurrent" money.<sup>14</sup> The act of July 21, 1837, required the canal commissioners to accept, in payment of bills to the canal, the notes of either the State Bank of Illinois or the Bank of Illinois, or those of any other bank whose notes were accepted and credited as cash by the bank where the canal funds were kept. While the losses to the canal from this source were probably proportionately no heavier than those of the average business firm, they became of considerable importance.<sup>15</sup> To relieve the treasury as much as possible from this evil, the trustees ordered that "specie funds only, or the equivalent thereof" should be received in payment of tolls.<sup>16</sup> The natural result was a nominal increase of earnings which practically offset the losses from the necessary acceptance of depreciated money. From 1860 to 1862 the tolls increased 95.34 per cent., while the traffic for the same period increased 83.32 per cent.<sup>17</sup> The estab-

<sup>14</sup> *Report of the canal trustees, 1862*, pp. 5, 6.

<sup>15</sup> The actual loss sustained during the year 1861, in the conversion of notes into specie values, was \$2,225.53, but the board held deposits of canal funds to the amount of \$32,605.40 on which it estimated there would be an average loss of 50 per cent. *Report of the Trustees of the Illinois and Michigan Canal, 1862*, p. 5.

<sup>16</sup> The resolution was adopted May 27, 1861.

<sup>17</sup> The statistics from which these percentages have been derived may be found in the appendix to any recent report of the canal commissioners.

lishment of the national banking system and the enforced retirement of the circulation of all other banks effectually removed the danger of losses from "uncurrent" money.

When the board of trustees made its final report on April 30, 1871, and turned the canal and its property back to the state, the financial sky seemed to be entirely clear. The canal debts were fully paid and a surplus of \$95,742.41 was turned into the state treasury. This sum was regarded as but an earnest of the revenues to be derived from the operation of the canal. The problem of financial management for the future was assumed to be the simple one of collecting the revenues, paying the expenses of operation and repairs, and turning over the surplus to the treasury of the state. As the revenue for the preceding ten years had exceeded the gross expenditures for the same period by \$1,244,048,<sup>18</sup> such an assumption seemed well founded. The history of the succeeding years, however, did not give so much cause for optimism. In the next decade, the tolls exceeded the expenditures by only \$320,199 and the following decade showed a deficit of \$211,039. In fact, the expenditures have exceeded the tolls regularly since 1879. During all these years, up to 1903, the General Assembly made biennial appropriations from the state treasury to cover the deficits, under the guise of appropriations for the improvement of navigation. In 1903, it appropriated \$152,950 to make needed repairs and to maintain the canal in navigable condition for the next biennium.<sup>19</sup> In the circuit court of Sangamon County, Richard E. Burke sought an injunction restraining the commissioners from using the appropriation, on the ground that it had been made in violation of the following provision of the constitution of 1870: "The general assembly shall never loan the credit of the state, or make appropriations from the treasury thereof, in aid of railroads or canals: Provided, that any surplus earnings of any canal may be appropri-

<sup>18</sup> This sum does not include a small annual income from rentals, the amount of which is not obtainable.

<sup>19</sup> The appropriation was made up of three items: \$50,000 a year for the biennium for maintenance of the canal in navigable condition; \$42,950 for the maintenance and operation of the pumping station at Bridgeport; and \$10,000 for dredging the steamboat channel and basin at La Salle.

ated for its enlargement or extension."<sup>20</sup> The case was carried to the Supreme Court of Illinois, which held the appropriation violative of the above constitutional provision and therefore illegal.<sup>21</sup> Since then the commissioners have been compelled to maintain the canal by such expedients as have been at their disposal from year to year. To supplement the small earnings, tracts of real estate have been sold from time to time and portions of the expenses formerly charged against the canal funds are now charged against the appropriations for the improvement of the Illinois River channel.<sup>22</sup> By these expedients the canal has been maintained during the last five years. The lack of funds, however, has prevented the commissioners from making the necessary repairs, and the efficiency of the canal as a transportation route has suffered accordingly. In fact, much of the time, portions of the canal have been practically unnavigable for boats with anything like a standard load.<sup>23</sup>

Nearly allied to the financial administration is the policy pursued in relation to the canal lands and water power. It has never been the policy of the state to retain permanently the ownership of any considerable portion of the 290,915 acres granted to it, aside from the ninety-foot strip on each side of the canal. The

<sup>20</sup> The entire section is as follows: "The Illinois and Michigan Canal shall never be sold or leased until the specific proposition for the sale or lease thereof shall first have been submitted to a vote of the people of the state at a general election, and have been approved by a majority of all the votes polled at such election. The general assembly shall never loan the credit of the state, or make appropriations from the treasury thereof, in aid of railroads or canals: Provided, that any surplus earnings of any canal may be appropriated for its enlargement or extension."

<sup>21</sup> In the case of *Burke v. Snively et al.*, the decision in the Supreme Court was handed down February 17, 1904, and is given in full, together with a dissenting opinion, in the Illinois Reports, Vol. 208, p. 363, and also, in the *Northeastern Reporter*, Vol. 70, pp. 327-38.

<sup>22</sup> Since the completion of the locks at Henry and Copperas Creek on the Illinois River, the portion of the river from La Salle to Copperas Creek has been under the charge of the canal commissioners and is, to all intents and purposes, an extension of the canal to the latter point. The lock at Henry was opened in September, 1871, and that at Copperas Creek in October, 1877.

<sup>23</sup> A canal boat bearing the standard load draws four feet and eight inches of water.

sales of lots and lands in 1830 and 1836, however, convinced the commissioners that the only hope of obtaining any large part of the cost of the canal from the federal land grant lay in the retention of the land by the state till the completion of the canal should have increased its value. Small sales of lots and of farm and timber lands were made occasionally, to meet the most urgent demands on the canal treasury. As a means of replenishing the treasury, however, the sales proved a failure: first, because the amounts sold were relatively small, and secondly, because the payments were made in instalments, most of which did not fall due for several years after the date of sale. Land sales, even under the act of January 9, 1836, which required the payment of the purchase price in four equal annual instalments, would not have met the pressing needs of the treasury, and succeeding laws rendered this method of raising needed funds entirely ineffective. The act of February 26, 1839, provided that one-tenth of the purchase price should be paid on receipt of the certificate of purchase, but the remaining nine-tenths became due only at the expiration of twenty years from the date of sale.<sup>24</sup>

In the desperate state of the finances in 1840, the commissioners were directed to sell enough canal land each year to meet the interest on the canal debt.<sup>25</sup> The sales for the first year, however, amounted to only \$61,975.57, and the sales for the following year, to \$88,598.38.<sup>26</sup> Since the land was sold under the provisions of the act of February 26, 1839, and since the canal debt was even then about \$3,000,000 and rapidly increasing, it was clearly evident that the interest could not be met by the sale of land, unless at a price detrimental to the permanent financial welfare of the state. Moreover, the land could not be sold at

<sup>24</sup> The commissioners were permitted to increase the proportion of the purchase price which should be paid at the time of purchase, by previously advertising the conditions of the sale. Little advantage seems to have been gained by this privilege. Many changes were later made in the conditions of sales, but it was not till 1869 that payments had to be made in cash at the time of the purchase.

<sup>25</sup> Laws of Illinois, 1839-40, pp. 79, 80.

<sup>26</sup> Report of canal commissioners, 1878, p. 47.

lower prices, except on a revaluation by the appraisers.<sup>27</sup> This the commissioners did not desire. They preferred to continue the policy of reserving the greater part of the land till the completion of the canal should have enhanced its value sufficiently to cover a large part of the canal debt. From July 1, 1841, the state suspended interest payments on its entire debt.<sup>28</sup> Had the commissioners pursued the policy authorized by the act of February 1, 1840, this event might have been delayed. It would not have been averted. On the other hand, the sale of a sufficient amount of the canal land to meet the interest charges on the canal debt would have so seriously weakened the resources of the canal that it is doubtful whether the creditors would have accepted the deed of trust on the canal and its property as a sufficient guarantee of the \$1,600,000 loan necessary to the completion of the work. The policy of the commissioners may have permitted the state to be forced to a temporary suspension of interest payments, but it prepared the way for the completion of the canal and the ultimate extinguishment of the canal debt. Had the commissioners adopted the policy of forcing the land on the market, the abandonment of the canal and the ultimate financial ruin of the state would have been inevitable, and the repudiation of the state debt almost certain.<sup>29</sup>

The land policy pursued by the commissioners saved to the state an asset not only valuable in securing the necessary loan, but, as it proved, equally important in the extinguishment of the canal debt. From the opening of the canal for traffic till the final settlement of the canal debt, the sales of lands and lots played an important part in furnishing the funds for the liquidation of the maturing financial obligations of the canal. In the summer of 1848 the trustees sold 45,625 acres of land and 2,244 lots. In the case of both lands and lots, the selling price ex-

<sup>27</sup> No land or lot could be sold till after its value had been appraised by the board of appraisers, and none could be sold for less than its appraised value. The fluctuation of real estate values, especially in cities, necessitated frequent revaluations.

<sup>28</sup> Cf. *Journal of Political Economy*, Vol. 17, No. 5, p. 287, note 63.

<sup>29</sup> Repudiation had already been seriously proposed by many people as the only possible means of freeing the state from an excessive burden of debt.

ceeded the appraised valuations.<sup>30</sup> The spirited competition among the buyers forced the prices of many of the lots to double their appraisement.<sup>31</sup> In the first three years of the operation of the canal the sales of lots and lands amounted to \$1,001,487,<sup>32</sup> while all the sales for the fifteen years preceding the beginning of the trust had aggregated only \$1,152,064.79.<sup>33</sup> During the continuance of the trust from June 26, 1845, to April 30, 1871, the trustees disposed of lands and lots to the amount of \$4,706,-482.68.<sup>34</sup> After the extinguishment of the canal debt, the sales proceeded more slowly. Between April 30, 1871, and December 1, 1878, they yielded \$27,492.21 to the canal funds; but in the succeeding seven years, ending December 1, 1885, the total receipts from this source were only \$6,668.28.<sup>35</sup> From that time the sales were of little consequence till the decline of other sources of revenue in recent years compelled the canal management to resort to this method of replenishing the treasury. In the meantime, the advance in the value of city lots, which compose the most valuable part of the real estate held by the canal, has been sufficient to leave the value of the present holdings about the same as those of 1885.<sup>36</sup> The estimated value at that time was \$166,023.59. In 1907, it was \$168,878.59. Since 1898, however, there has been a decrease of \$18,969.41 in the value

<sup>30</sup> The lands sold were appraised at \$208,021 and sold for \$210,775. The appraised value of the lots was \$505,124 and the selling price, \$554,864.

<sup>31</sup> The *Chicago Daily Democrat*, September 26, 1848. This issue of the *Democrat* quotes at length from the *Ottawa Free Trader* concerning the sale of lots in that city. The *Free Trader* estimates that the sales of lots in Ottawa had exceeded \$130,000.

<sup>32</sup> Swift's *Report to the canal creditors*, 1850, p. 9.

<sup>33</sup> *Report of the Secretary of War*, 1887, Vol. II, Part 3, p. 2147.

<sup>34</sup> *Final Report of the canal trustees*, 1871, p. 9.

<sup>35</sup> *Report of the Secretary of War*, 1887, Vol. II, Part 3, pp. 2147, 2148.

<sup>36</sup> Of the estimated values for each year since 1885, only \$360.59 has been assigned to the tracts of land as follows:

Two very small islands.....	\$ 10.00
Two tracts of land aggregating 15.34 acres.....	350.59
	<hr/>
	\$360.59

of lands and lots held, but during the same period the sales have amounted to \$79,187.73.<sup>37</sup>

The early management of the canal lands was of such a character that, at the conclusion of the trust in 1871, sufficient funds had been derived from their sales to cancel \$5,858,547.47 of the \$6,557,681.50 which the canal originally cost, exclusive of interest charges, exchanges, and other similar items. Since the payment of the original canal debt, more than \$100,000 has been received from the sales of lots and lands, in addition to the rentals, which have varied from year to year.

The management of the canal was liberal toward the purchasers of canal land. Although the law provided for the forfeiture of lands and lots if the purchaser failed to meet his payments of principal or interest when due, it also made the certificates of purchase negotiable and transferable either by indorsement or by a separate instrument. These provisions not being sufficient for the relief of purchasers who had bought lands or lots at the inflated prices preceding the panic of 1837, the act of February 27, 1841, made special provision for this class of debtors.<sup>38</sup> The debtor was permitted to select such part of his purchase as the payments made would buy, after deducting one-third from the original purchase price. On relinquishment of the remainder, his remaining obligations to the state were canceled.<sup>39</sup> The state went even farther in its liberality and passed numerous special acts for the relief of individuals who, for one reason or another, did not come within the purview of the general enactments.<sup>40</sup> It also enabled men to secure choice tracts of land by permitting them to occupy and improve the tracts before they were offered for sale. By payment of rent to

<sup>37</sup> The decrease in value since 1898 and the amount of sales for the same period have been computed from the annual reports of the canal commissioners.

<sup>38</sup> Laws of Illinois, 1841, pp. 49-51.

<sup>39</sup> In the case of farm or timber lands all divisions must be made on the basis of the government survey divisions. In case of city lots, such division was required as would leave to the state proportionately as much frontage as to the purchaser.

<sup>40</sup> Examples of such acts are those of February 25, 1845, and numerous others.

the state these men were able to hold the land till it was put upon the market, when they were usually able to secure it at the valuation of the appraisers. For the protection of the state and the bona-fide settlers against the land grabber and speculator, the amount of land which persons were privileged to hold in this way was restricted to six hundred and forty acres.<sup>41</sup>

An effort was also made by the canal management to assist in attracting to the canal region a desirable class of settlers by promoting the community life of the villages and towns along the canal, and by aiding the social and moral uplift of the community through provision for public education and religious instruction.<sup>42</sup> In pursuance of this policy lots were granted for public buildings, such as courthouses, schools, and churches. Liberal concessions were made in the matter of the location of the lots and in the manner of using them.<sup>43</sup>

In addition to the renting of unsold lands, it has been part of the policy of the management to grant twenty-year leases for the use of such portions of the ninety-foot strips as are favorably situated for the location of warehouses, elevators, or other business establishments.<sup>44</sup> The same policy is pursued relative to the water power developed at various places along the canal from Lockport to La Salle. These leases of water power have been of especial importance at Lockport, Joliet, and Ottawa. The water power lease at Lockport was of less financial importance directly than indirectly, however. The Norton Mills at that place derived

<sup>41</sup> Laws of Illinois, 1837, p. 45.

<sup>42</sup> Henry Brown, a historian of Chicago, is authority for the statement that the canal commissioners gave twenty-five lots to Chicago to aid in the erection of public buildings (*Present and Future Prospects of Chicago*, p. 5).

<sup>43</sup> Churches were permitted to sell a part or all of the lots donated, provided the funds received from the sale should be expended in the erection of a church building or in securing a more desirable site.

<sup>44</sup> On taking control of the canal, the trustees adopted the policy of charging rentals for the use of canal property. The act of February 21, 1843, prohibited the sale of lands or water power till three months after the canal was opened for operation; but the act of February 25, 1847, removed the restriction and left the matter to the discretion of the trustees, with the one restriction that not more than one-tenth of the canal lots or lands in any one city or town could be sold till after the completion of the canal.

their power from the canal, but they also transported much of their wheat and flour on it. For several years before the closing of these mills in 1907, the wheat carried from Chicago to the mills and the flour and millstuffs returned constituted a large part of the traffic on the upper section of the canal.<sup>45</sup> In addition to Norton & Co., among the more prominent of the lessees of recent years have been the Economy Light and Power Company and the Great Western Cereal Company of Joliet, and the Ottawa Hydraulic Company and the Northern Illinois Light and Trac-tion Company of Ottawa. Many other corporations, firms, and individuals derive power from the same source, or pay rentals for the occupation of portions of the ninety-foot strip. The opening of the Chicago Drainage Canal materially increased the rentals from water power by largely augmenting the flow over the state dam where the Illinois and Michigan canal crosses the Des Plaines River in the city of Joliet. The increased rentals from water power have about counterbalanced the decrease of those from the ninety-foot strip, which have declined with the decline of the traffic on the canal. The total earnings from the former of these sources during the ten-year period 1898 to 1907 have aggregated \$111,900.57, and from the latter, \$47,327.01. To these rentals should be added the receipts from the ice leases and from water-pipe and sprinkling privileges and miscellaneous items, which amounted to \$9,029.00 and \$18,667.34 respectively for the decade. Thus the total earnings in the last ten years from rentals, leases, and privileges have been \$186,923.92, while the tolls for the same period amounted to only \$129,491.

The state has never attempted to transport passengers or freight. It has furnished the route and left the work of transportation to individuals and corporations. On the opening of the canal the commissioners fixed the rate of tolls to be paid by the owners of vessels for the privilege of using the canal. These tolls were made up of two separate charges: First, a charge per mile for each boat or barge; second, a charge per mile for each

<sup>45</sup> Of the 38,820 tons of freight carried on the canal in 1905, there were 335,334 bushels of wheat shipped from Chicago and 6,163,444 pounds of flour and 2,340,927 pounds of millstuffs received. Practically all of this business was produced by the Lockport mills.

thousand pounds of freight or for each passenger carried. The same method of estimating the charges for the use of the canal has been continued down to the present time; but the rates have been reduced from time to time in an effort to stave off the increasing competition of the railways. Notwithstanding the reductions in canal charges, the traffic has gone more and more to the railroads till for the year ending November 30, 1905, the total amount of freight transported on the canal was only 38,820 tons against 1,011,287 tons in 1882. For 1905 the tolls, including those collected at the locks at Henry and Copperas Creek on the Illinois River, amounted to only \$4,950, and the gross expenditures were \$50,890.<sup>46</sup> For this decline in tonnage and tolls the management is only partially responsible. The railroads have taken the business from the canal partly because of the advantages offered by the great railway systems with their methods of prorating of freights and interchange of cars, and partly because of the fact that the railroads are managed by capable men, thoroughly familiar with the transportation business, while the canal is managed by men appointed because of the political influence back of them.

Although politics have played a more or less important part in the management of the canal from the beginning, they have been a more pronounced element in the determination of appointments in recent years than formerly. For many years practically all the appointments have been determined by political affiliations.<sup>47</sup> The result has been a degree of inefficiency in the canal administration which no modern corporation would tolerate on the part of its managers or employees. Two instances which have come to public knowledge within the last dozen years exhibit

<sup>46</sup> *Report of the canal commissioners, 1905*, p. 25. A statement of the tolls, expenditures, and tonnage of the canal is given at the end of the article.

<sup>47</sup> The insecurity of tenure is illustrated by the changes which occurred in the personnel of the canal force between February 15 and March 15, 1897, when every man on the pay roll with a single exception was changed. The changes were somewhat more sweeping in this case than usual because the state administration was passing from the control of one party to that of its opponent; but the principle holds true generally that the employees must affiliate with the political faction in power.

this phase of the later management.<sup>48</sup> In the investigation of the damages which would be sustained by the canal property from the construction of the Chicago Drainage Canal, it was discovered that for many years squatters had held several tracts of canal land which had been entirely lost sight of by the canal management. It was further discovered that among the forgotten files of the canal office were unrecorded deeds to several lots and parcels of land in the city of Joliet.<sup>49</sup> Another failure to conserve the best interests of the state in the management of the canal affairs came to light in the legislative investigation of the "Dresden Heights dam lease," in the month of November, 1907. By their own admission, the canal officials entered into a sale and lease of state property without any definite knowledge of the value of the rights conveyed.<sup>50</sup> The lease was made nominally to Harold F. Griswold, who transferred it to the real lessee, the Economy Light and Power Company of Joliet.<sup>51</sup>

<sup>48</sup> The one scandal connected with the earlier history of the canal grew out of the failure of the canal officials properly to cancel or destroy the redeemed scrip. By reason of this failure the state came near losing \$200,000 through the redemption of a portion of it a second time, and the fair name of ex-Governor Mattison was brought under suspicion. The scrip in question was issued in 1840 and mostly redeemed within a few months. After remaining in the Chicago branch of the Illinois State Bank and at the canal office till 1853, it was transferred to Springfield in a trunk and a shoe box and placed in the basement of the capitol building. In 1857, Governor Mattison presented for redemption scrip which with the accumulated interest amounted to about \$200,000. In 1859 a Senate committee and the grand jury of Sangamon County failed to hold Mattison culpable. He reimbursed the state, but his friends claimed that he did so to prevent financial loss arising under his administration and that the scrip presented had come into his hands through legitimate business transactions. Cancellation or destruction of the scrip as redeemed would have prevented the unfortunate affair.

<sup>49</sup> *Report of the canal commissioners, 1897*, pp. 9-11.

<sup>50</sup> The report of the testimony given before the legislative investigating committee was published daily in the *Chicago Record-Herald* during the progress of the investigation, beginning November 20, 1907.

<sup>51</sup> The entire deal consisted of three parts: First, a lease of flowage rights in the Des Plaines River, consideration \$2,200; second, the right to place a line of poles for the purpose of stringing electric wires along the ninety-foot strip; third, the purchase of a small tract of land lying between the canal and the river bank, consideration \$500. The leases were made in September, 1904, and the sale in January, 1905.

The consideration was \$2,200 and the value of the rights conveyed has been variously estimated at from \$8,000,000 to \$15,000,000. Even assuming that the lowest of these estimates is an exaggeration of the real value of these rights, it is apparent that the canal officials permitted themselves to be drawn into a contract by which the state would not receive compensation commensurate with the rights conveyed. The lease failed also properly to safeguard the interests of the state by omitting the clause, usual in other canal leases, enabling the state to terminate it at pleasure.

Although in recent years the canal has been compelled to carry the incubus of the spoils politician, it has not, on the whole, suffered more from this source than the state penal and charitable institutions have done. The management has been of different character and efficiency at different times and with different boards. As a rule, however, it was more efficient when the canal was an important commercial route than it has been since the traffic has largely gone to the railroads. Since the canal has ceased to be of much consequence as a transportation agency, the public has ceased to exercise the watchfulness, born of personal interest, which compelled a reasonable degree of efficiency in its earlier management. The history of the canal has shown once again the oft-demonstrated facts that, in the long run, an intelligent public interest is essential to the successful conduct of a public business and that there is no necessary correspondence between the ability of a political appointee to obtain an appointment and his ability successfully to perform the duties which attach to the position obtained. There can be little doubt that a greater care exercised in the selection of the canal commissioners and a well-organized civil service based on the merit system and strictly applied in the selection of all officers and employees would have added to the efficiency of the canal management. The tasks to be performed demanded men of large ability, special skill, and unswerving integrity. The system employed in the selection of men and the distribution of powers and responsibilities has not always insured the highest type of management.

## TOLLS, EXPENDITURES, AND TONNAGE OF THE ILLINOIS AND MICHIGAN CANAL TO THE CLOSE OF 1907

Year	Gross Expenses	Tolls	Tons Transported*	Year	Gross Expenses	Tolls	Tons Transported
1848	\$ 48,197	\$ 87,890	.....	1879	97,701	89,065	669,559
1849	70,932	118,375	.....	1880	125,601	92,296	751,360
1850	68,415	125,504	.....	1881	108,223	85,130	826,133
1851	58,475	173,300	.....	1882	104,412	85,947	1,011,287
1852	53,508	168,577	.....	1883	116,756	77,975	925,575
1853	44,870	173,372	.....	1884	99,289	77,102	956,721
1854	53,242	198,326	.....	1885	86,393	66,800	827,355
1855	70,873	180,519	.....	1886	72,430	62,516	808,019
1856	91,458	184,310	.....	1887	71,385	58,024	742,074
1857	103,282	197,830	.....	1888	76,845	56,028	751,055
1858	58,088	197,171	.....	1889	85,478	60,605	917,047
1859	74,432	132,147	.....	1890	75,125	55,112	742,392
1860	82,583	138,554	367,437	1891	72,592	49,557	641,156
1861	55,061	218,040	547,295	1892	67,137	54,937	783,288
1862	55,362	264,647	673,590	1893	59,522	38,702	529,816
1863	62,715	210,386	619,599	1894	54,258	44,928	617,811
1864	66,107	156,607	510,286	1895	71,142	39,106	591,507
1865	124,869	300,810	616,140	1896	77,987	32,100	446,762
1866	116,363	302,958	746,815	1897	68,307	33,065	484,575
1867	162,656	252,131	746,815	1898	78,986	38,570	395,017
1868	122,052	215,720	737,727	1899	91,196	41,021	409,352
1869	91,705	238,759	817,738	1900	88,317	13,867	121,759
1870	108,665	140,635	585,970	1901	111,002	8,120	81,456
1871	97,232	159,050	628,975	1902	127,150	2,879	35,824
1872	88,876	165,874	783,641	1903	52,400	5,857	62,894
1873	81,088	166,641	849,533	1904	42,761	6,743	47,616
1874	73,798	144,831	712,020	1905	50,890	4,950	38,820
1875	74,511	107,081	670,025	1906	48,523	5,358	35,480
1876	91,595	113,293	691,943	1907	50,050	2,126	80,616
1877	110,018	96,913	605,912				
1878	82,330	84,330	698,792		\$4,995,316	\$6,610,067	71,002,591

\* Statistics of the tonnage before 1860 are not available.

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